OFFICE OF LIEUTENANT GOVERNOR
THREE YEARS ENDED JUNE 30, 2003

From The Office Of State Auditor
Claire McCaskill

Report No. 2004-08
January 26, 2004
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AUDIT REPORT

Office Of The
State Auditor Of Missouri
Claire McCaskill

January 2004

The following findings were noted as a result of an audit conducted by our office of the Office of Lieutenant Governor.

Expenditures were not always charged to the most appropriate object codes. We noted expenditures of at least $8,300, $6,600, and $11,700 in fiscal years 2003, 2002, and 2001, respectively, that were improperly classified in the Statewide Advantage for Missouri (SAM II) System. In addition, payments to the state's Office of Administration, Flight Operations for state plane usage were charged to aircraft rental in fiscal years 2002 and 2001. However, in fiscal year 2003, a state plane flight, costing $622, was charged to in-state commercial transportation.

The office needs to improve its records and procedures for capital assets. We noted capital asset duties are not adequately segregated and an annual statement of changes in capital assets is not prepared. Additionally, capital asset records do not always include complete descriptions, accurate locations, acquisition costs and dates, and model and serial numbers, where applicable.

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YELLOW SHEET

OFFICE OF LIEUTENANT GOVERNOR

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CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON
THE FINANCIAL STATEMENTS

Honorable Joe Maxwell, Lieutenant Governor
Jefferson City, MO 65102

We have audited the accompanying Statements of Appropriations and Expenditures of the General Revenue Fund-State of the Office of Lieutenant Governor for the years ended June 30, 2003, 2002, and 2001. These financial statements are the responsibility of the office's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1 to the financial statements, these financial statements were prepared on the state's legal budgetary basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the appropriations and expenditures of the General Revenue Fund-State of the Office of Lieutenant Governor for the years ended June 30, 2003, 2002, and 2001, on the basis of accounting discussed in Note 1.

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In accordance with *Government Auditing Standards*, we also have issued our report dated October 17, 2003, on our consideration of the office's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements, taken as a whole, that are referred to in the first paragraph. The accompanying financial information listed as supplementary data in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the office's management and was not subjected to the auditing procedures applied in the audit of the financial statement referred to above. Accordingly, we express no opinion on the information.

Claire McCaskill
State Auditor

October 17, 2003 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Kenneth W. Kuster, CPA
Audit Manager:	Toni M. Crabtree, CPA
In-Charge Auditor:	Susan Beeler

CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Honorable Joe Maxwell, Lieutenant Governor
Jefferson City, MO 65102

We have audited the financial statements of the Office of Lieutenant Governor for the years ended June 30, 2003, 2002, and 2001, and have issued our report thereon dated October 17, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the financial statements of the Office of Lieutenant Governor are free of material misstatement, we performed tests of the office's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted an immaterial instance of noncompliance which is described in the accompanying Management Advisory Report.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements of the Office of Lieutenant Governor, we considered the office's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low

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level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted another matter involving the internal control over financial reporting which is described in the accompanying Management Advisory Report.

This report is intended for the information and use of the management of the Office of Lieutenant Governor and other applicable government officials. However, pursuant to Section 29.270, RSMo 2000, this report is a matter of public record and its distribution is not limited.

Claire McCaskill
State Auditor

October 17, 2003 (fieldwork completion date)

Financial Statements

EXHIBIT A-1

OFFICE OF LIEUTENANT GOVERNOR
STATEMENT OF APPROPRIATIONS AND EXPENDITURES
YEAR ENDED JUNE 30, 2003

		Appropriation	Expenditures	Lapsed Balances
GENERAL REVENUE FUND-STATE				
Personal service	$	300,899	300,899	0
Expense and equipment		66,211	65,395	816
Personal service and/or expense and equipment		40,783	13,532	27,251
Total General Revenue Fund-State	$	407,893	379,826	28,067

The accompanying Notes to the Financial Statements are an integral part of this statement.

EXHIBIT A-2

OFFICE OF LIEUTENANT GOVERNOR
STATEMENT OF APPROPRIATIONS AND EXPENDITURES
YEAR ENDED JUNE 30, 2002

		Appropriation	Expenditures	Lapsed Balances
GENERAL REVENUE FUND-STATE				
Personal service and/or expense and equipment	$	419,577	349,643	69,934
Total General Revenue Fund-State	$	419,577	349,643	69,934

* Office officials indicated the lapsed balance includes $50,000 withholdings made at the Governor's request in fiscal year 2002.

The accompanying Notes to the Financial Statements are an integral part of this statement.

EXHIBIT A-3

OFFICE OF LIEUTENANT GOVERNOR
STATEMENT OF APPROPRIATIONS AND EXPENDITURES
YEAR ENDED JUNE 30, 2001

		Appropriation	Expenditures	Lapsed Balances
GENERAL REVENUE FUND-STATE				
Personal service and/or expense and equipment	$	417,897	384,231	33,666
Total General Revenue Fund-State	$	417,897	384,231	33,666

The accompanying Notes to the Financial Statements are an integral part of this statement.

Supplementary Data

Schedule 1

OFFICE OF LIEUTENANT GOVERNOR
COMPARATIVE STATEMENT OF EXPENDITURES (FROM APPROPRIATIONS)

	Year Ended June 30,			
	2003	2002	2001	2000
Salaries and wages	$ 314,431	308,046	300,808	296,663
Travel, in-state	12,441	6,594	6,196	8,095
Travel, out-of-state	163	650	4,901	4,183
Supplies	13,156	9,331	10,046	2,666
Professional development	2,942	3,429	3,329	2,030
Communication services and supplies	8,263	8,420	8,493	5,465
Services:				
Business	2,492	0	5,828	661
Professional	461	4,453	0	1
Housekeeping and janitorial	0	0	1,874	2,652
Maintenance and repair	697	1,565	534	0
Equipment maintenance and repair	0	0	0	945
Computer equipment	18,796	1,958	18,883	30
Motorized equipment	0	0	0	601
Office equipment	1,369	1,126	16,483	370
Other equipment	3,355	0	1,050	0
Equipment rental and leases	573	4,005	293	0
Equipment lease payments	0	0	0	347
Building and equipment rentals	622	0	5,456	5,868
Miscellaneous expenses	65	66	57	0
Total Expenditures	$ 379,826	349,643	384,231	330,577

Note: Certain classifications of expenditures changed during the four-year period, which may affect the comparability of the amounts.

The accompanying Note to the Supplementary Data is an integral part of this statement.

Schedule 2

OFFICE OF LIEUTENANT GOVERNOR
STATEMENT OF CHANGES IN GENERAL CAPITAL ASSETS

		Office Equipment	Office Furniture	Total
Balance July 1, 2000	$	99,830	11,478	111,308
Additions		25,964	5,190	31,154
Dispositions		(30,394)	(12,168)	(42,562)
Balance, June 30, 2001		95,400	4,500	99,900
Additions		1,875	0	1,875
Dispositions		0	0	0
Balance, June 30, 2002		97,275	4,500	101,775
Total Additions		25,790	0	25,790
Dispositions		(23,654)	(1,500)	(25,154)
Balance, June 30, 2003	$	99,411	3,000	102,411

The accompanying Note to the Supplementary Data is an integral part of this statement.

Notes to the Financial Statements and Supplementary Data

Notes to the Financial Statements:

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying financial statements present only selected data for the General Revenue Fund-State of the Office of Lieutenant Governor.

Appropriations, presented in the Exhibits, are not separate accounting entities. They do not record the assets, liabilities, and equity or other balances of the related funds but are used only to account for and control the office's expenditures from amounts appropriated by the General Assembly.

Expenditures presented for each appropriation may not reflect the total cost of the related activity. Other direct and indirect costs provided by the office and other state agencies are not allocated to the applicable fund or program.

B. Basis of Accounting

The Statements of Appropriations and Expenditures, Exhibit A, are presented on the state's legal budgetary basis of accounting. For years ended on or after June 30, 2001, expenditures generally consist of amounts paid by June 30, with no provision for lapse period expenditures unless the Office of Administration approves an exception. Amounts encumbered at June 30 must be either canceled or paid from the next year's appropriations.

However, the General Assembly may authorize continuous (biennial) appropriations, for which the unexpended balances at June 30 of the first year of the 2-year period are reappropriated for expenditure during the second year. Therefore, such appropriations have no lapsed balances at the end of the first year.

The budgetary basis of accounting differs from accounting principles generally accepted in the United States of America. Those principles require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Fiscal Authority and Responsibility

The office administers transactions in the General Revenue Fund-State. The state treasurer as fund custodian and the Office of Administration provide administrative control over fund resources within the authority prescribed by the General Assembly.

The office receives appropriations from this fund and does not maintain a proprietary interest in the fund. Appropriations from the fund are used for the basic operation of the office, including those programs and services that have no other funding source. These appropriations also may be used to initially fund, or to provide matching funds or support for, programs paid wholly or partially from other sources.

D. Employee Fringe Benefits

In addition to the social security system, employees are covered by the Missouri State Employees' Retirement System (MOSERS) (a noncontributory plan) and may participate in the state's health care, optional life insurance, cafeteria, and deferred compensation and deferred compensation incentive plans. The optional life insurance and cafeteria plans involve only employee contributions or payroll reductions. The deferred compensation plan involves employee payroll deferrals and the deferred compensation incentive plan a state contribution for each employee who participates in the deferred compensation plan and has been employed by the state for at least 1 year.

The state's required contributions for employee fringe benefits are paid from the same funds as the related payrolls. Those contributions are for MOSERS (retirement, basic life insurance, and long-term disability benefits); social security and medicare taxes; health care premiums; and the deferred compensation incentive amount.

Transfers related to salaries are not appropriated by agency and thus are not presented in the financial statements at Exhibit A.

Note to the Supplementary Data:

2. General Capital Assets

During fiscal year 2003, the office converted its capital asset records to the Statewide Advantage for Missouri (SAM II) System. General capital assets are recorded at cost in the general capital assets account. General capital assets are depreciated on a straight-line basis using various useful life classifications and a salvage value of zero. Accumulated depreciation on general capital assets at June 30, 2003 was approximately $75,000.

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -
State Auditor's Findings

OFFICE OF LIEUTENANT GOVERNOR
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

We have audited the financial statements of the Office of Lieutenant Governor for the years ended June 30, 2003, 2002, and 2001, and have issued our report thereon dated October 17, 2003.

The following Management Advisory Report presents our findings arising from our audit of the office's financial statements.

1. Expenditure Procedures

Expenditures were not always properly classified in the Statewide Advantage for Missouri (SAM II) System.

A. Expenditures were not always charged to the most appropriate object codes. We noted expenditures of at least $8,300, $6,600, and $11,700 in fiscal year 2003, 2002, and 2001, respectively, that were improperly classified in SAM II. Some examples include:

- During fiscal year 2001, computers and related equipment, totaling more than $8,000, were charged to reproduction and printing equipment.
- During fiscal 2002, a laptop computer, costing approximately $1,900, was charged to software leases and license fees and office supplies, totaling approximately $1,100, were charged to printing and binding supplies.
- During fiscal year 2003, the purchase of new telephones, costing approximately $3,400, was charged to telecommunication supplies and a shredder, costing approximately $1,200, was charged to office furniture and equipment repair and maintenance.

Additionally, during fiscal years 2003 and 2002, printing and binding services, totaling approximately $3,700, were charged to printing and binding supplies.

We made adjustments in Schedule 1 to report these expenditures in more appropriate classifications.

B. Some similar expenditures were not consistently coded to the same object code in SAM II. We noted payments to the state's Office of Administration, Flight Operations for state plane usage were charged to aircraft rental in fiscal years 2002 and 2001. However, in fiscal year 2003, a state plane flight, costing $622, was charged to in-state commercial transportation.

The office should ensure that expenditures are charged to the correct and/or most appropriate object code in the SAM II. Additionally, similar expenditures should be consistently charged to the same object code. This is necessary for evaluating costs and for budget purposes.

WE RECOMMEND the Office of Lieutenant Governor ensure expenditures are charged to the most appropriate object codes and similar expenditures are consistently charged to the same code.

AUDITEE'S RESPONSE

We reviewed the findings and recommendations of the audit. We will take them into consideration in our future policy decisions as well as staff training and implementation.

2. Capital Asset Records and Procedures

The office needs to improve its records and procedures for capital assets. At June 30, 2003, the Office of Lieutenant Governor was responsible for capital assets totaling over $102,000. Our review of the office's property records indicated the following concerns:

A. Capital asset duties are not adequately segregated. The individual who maintains the records of capital assets is also responsible for performing the physical inventory. To improve internal controls and to adequately safeguard assets from theft or misuse, the physical inventory should be performed by an individual independent of the custodial and record keeping functions.

B. An annual statement of changes in capital assets is not prepared. In addition, a complete list of all additions and disposition is not maintained, and capital asset purchases are not routinely reconciled to the property additions recorded on SAM II. We noted a computer and printer, purchased in fiscal year 2001, and the voice mail system, replaced by insurance in fiscal year 2003, were not recorded in the additions listing. Additionally, a printer and the old telephone system were disposed of during fiscal year 2003, but were not recorded in the dispositions listing. Although, we reconstructed the records to allow for the preparation of the statement of changes in capital assets, the office needs to improve its records and procedures.

   The Code of State Regulations, at 15 CSR 40-2.031, provides that each department should annually prepare a statement of changes in capital assets to summarize the transactions occurring during the fiscal year and account for all acquisitions and dispositions. In addition, the failure to properly record property items reduces the control and accountability over capital assets and increases the potential for loss, theft, or misuse of assets.

C. Capital asset records do not always include complete descriptions, accurate locations and acquisition costs and dates, and model and serial numbers, where applicable.

Such information is necessary to assist in the annual inventory and to provide complete and accurate capital asset records.

We noted seven equipment items purchased during fiscal year 2001 recorded in the capital asset records at amounts other than the purchase price. Five of these seven, as well as two additional equipment items, were recorded at a date other than the date of purchase. These errors were corrected by office personnel when we brought them to their attention.

The Code of State Regulations, at 15 CSR 40-2.031, requires state agencies to maintain adequate capital asset records that include identification number; description of the item including name, make, model and serial number, where appropriate; acquisition cost; date of acquisition; estimated useful life at the date of acquisition; physical location in sufficient detail to readily locate the item; and method and date of disposition, if applicable.

WE RECOMMEND the Office of Lieutenant Governor:

A. Ensure an individual independent of the record keeping and custodial functions perform the physical inventory.

B. Prepare an annual statement of changes in capital assets and account for all acquisitions and dispositions. In addition, capital asset purchases should be reconciled to the capital asset records on a periodic basis.

C. Ensure complete and accurate capital asset records are maintained.

AUDITEE'S RESPONSE

We reviewed the findings and recommendations of the audit. We will take them into consideration in our future policy decisions as well as staff training and implementation.

This report is intended for the information and use of the management of the Office of Lieutenant Governor and other applicable government officials. However, pursuant to Section 29.270, RSMo 2000, this report is a matter of public record and its distribution is not limited.

STATISTICAL SECTION

History, Organization, and
Statistical Information

OFFICE OF LIEUTENANT GOVERNOR
HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION

The lieutenant governor is required to meet the same qualifications as the governor. The lieutenant governor is elected for a four-year term.

Under the constitution, the lieutenant governor serves as the ex officio president of the Missouri Senate. In addition, upon the governor's death, conviction, impeachment, resignation, absence from the state or other disabilities of the governor, the powers, duties and emolument of the governor devolve upon the lieutenant governor until the end of the term or until the disability of the governor is removed.

By law, the lieutenant governor serves as a member of the Board of Fund Commissioners, the Board of Public Buildings, the Governor's Council on Physical Fitness and Health, the Missouri Development Finance Board, the Missouri Housing Development Commission, the Missouri Rural Economic Development Council, the Second State Capital Commission, the Special Health, Psychological and Social Needs of Minority Older Individuals Commission, and the Statewide Safety Steering Committee.

The lieutenant governor chairs the Missouri Community Service Commission, the Missouri SenioRX Program, and the Veterans Benefits Awareness Task Force. He co-chairs the Personal Independence Commission and serves as vice-chair on the Missouri Tourism Commission. He also serves as an advisor to the Department of Elementary and Secondary Education on early childhood education and the Parents-as-Teachers program. The lieutenant governor also serves as the state's official advocate for Missouri's elderly and acts in the role of the official ombudsman for all Missouri's citizens.

On November 15, 2000, Joe Maxwell was sworn in as the forty-fifth Lieutenant Governor of the state of Missouri. His term will expire in January 2005.

At June 30, 2003, the office employed eight full-time employees and one part-time employee. An organization chart follows.

OFFICE OF LIEUTENANT GOVERNOR
ORGANIZATION CHART
JUNE 30, 2003